

THE RELEVANCE OF GOODWILL ACCOUNTING AND DISCLOSURE PRACTICE IN VIETNAM

ABSTRACT

Business acquisitions have become a common practice and goodwill values reported by firms in Vietnam have gradually increased in both absolute terms and relative to reported total assets. This study examines goodwill and goodwill reporting practices of 69 Vietnamese firms reporting goodwill in their balance sheet over a five year period, 2008 – 2012.

In contrast to the general view that investors in emerging countries are less likely to use accounting numbers due to their lack of knowledge and expertise, the market association test in this study shows that goodwill and its amortization are empirically relevant for market equity valuation. However, a disclosure analysis shows that the purpose of goodwill disclosures by most groups in Hochiminh Stock Exchange are likely to meet the reporting requirements, rather than to provide useful information to financial statement users. The level of disclosure compliance is also found to be unevenly distributed, with large-cap firms mainly having meaningful and effective disclosure. Further, the amortization policies and goodwill write-off policies are vague. Lastly, the findings suggest that the mandatory reporting framework is not very effective.

JEL Codes: M40, M41 and M48

Keywords: IFRS, Goodwill accounting, Financial reporting, Value relevance, Disclosure, Vietnamese Accounting standards

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1. Introduction

This study provides an understanding of the goodwill accounting and disclosure practices in Vietnam. Business acquisitions have become common in Vietnam over the last five years, and consequently, goodwill has progressively become an economic and institutional phenomenon in Vietnam. Specifically, goodwill is recognized as an item in the balance sheet in more than 25% of the public companies, whose market values approximate about 80% of the total market capitalization of Hochiminh Stock Exchange (HOSE) (Appendix A, Table 1). In addition, the value of goodwill reported by the publicly listed firms has gradually increased in both absolute terms and relative to reported assets, and reached approximately VND10,600 billion in 2012, close to 0.4% of contemporaneous nominal GDP (Appendix A, Table 2). This is significant due to the increase in the market values of the companies relative to their book values of their assets and the numerous mergers and acquisitions over the years.

In response to its economic progress, Vietnam has had several changes in its accounting system. The most significant of these came with the new set of “*Vietnam Accounting Standards*” (VAS) adopted to align with the international financial accounting standards (IFRS). Since 2006, a total 26 standards have been promulgated addressing issues outlined under the IFRS. While goodwill was first defined in VAS 04 – *Intangible Assets* in 2001, the formal instruction for goodwill accounting has been properly realized since the promulgation of VAS 25 – *Consolidated Financial Statements and Accounting for Investments for Subsidiaries* enforced in 2003 and VAS 11 – *Business Combinations* enforced in 2005.

Despite such progress, Vietnamese firms still follow the old straight-line goodwill amortization approach representing the systematic decline in the value of goodwill overtime. In reference to studies on the appropriate treatments of goodwill (Moehrle et al., 2001; Churyk and Chewning, 2003; Churyk, 2005), and given the central tenet of financial reporting is to enhance the decision usefulness of financial statements, it is doubtful if such accounting treatments can serve the accounting function. Further, if the impairment testing regime under IFRS has been widely adopted in more than 100 countries including most European countries, Australasia and many Asian countries, it is worth investigating whether

Vietnamese accounting practice using the old amortization regime provides information that is relevant for the market valuation of a firm's equity to the same extent as under the IFRS regime of impairment of goodwill.

This study first provides empirical evidence for the question: "Are goodwill and its amortization charge value-relevant?" If goodwill amortization does not reflect investors' assessment on the decline in value of goodwill or if goodwill does not decline in value over the years then goodwill and its amortization and the market value of equity will not be related. Such focus provides an opportunity to test the view of market participants in Vietnam, and the justification for the Vietnam Accounting Standards Committee's (VASC) amortization practice.

Given the relevance assumed for the use of accounting information by the investors, the second question is whether the degree of information disclosed in the annual report is meaningful and sufficient for financial statement users to understand the goodwill fluctuations across years to evaluate the effectiveness of business combinations. Recall that the current local accounting regulations is not yet compatible with international accounting standards, added with the absence of viable enforcement action on how and to what extent firms should disclose their goodwill information. Therefore, the second research question of this paper asks: "How goodwill information is disclosed in the consolidated financial statements by acquiring firms?" For a developing country like Vietnam where the level of investments hinges upon investor confidence and when the mergers and acquisitions activities are much more frequent such understanding of current practices is worthwhile and desirable for both the preparers and users of such information. Obviously, if the above market association test illustrates goodwill is a value-relevant asset then further generation of relevant insights is desirable. Additionally, the value-relevance test of such accounting seems to be useful only if sufficient information about goodwill amortization is disclosed in the annual reports of groups.

The structure of this study is as follows. Section two provides an overview of goodwill accounting and reporting practices. Section three outlines the methodology and research design of the study. Section four discusses the results, while conclusions and implications are drawn in section five.

2. Literature Review

2.1 Concept foundation

Goodwill is the difference between the payment made for a firm and the fair value of its net identifiable assets (IFRS 3 – *Business Combinations*). Before the recent changes led by the International Accounting Standard Boards (IASB), goodwill was viewed as a decaying asset and systematically amortized over a specific number of years. The amortization regime is criticized for not being able to capture the “real” decrease in the underlying economic value of goodwill (Hulzen et al., 2011). If goodwill manifests future earnings capacity then its value need not be reduced (Wang, 2002). As long as goodwill generates perpetual cash inflows then greater representational faithfulness might be achieved when goodwill is capitalized and kept in the balance sheet until it is impaired (Churyk, 2005).

Since March 2004, IFRS reporting framework has adopted an impairment testing based paradigm to replace the traditional capitalization and amortization (IFRS 3 – *Business Combinations* and its detail impairment process in IAS 36 – *Impairments of Assets*). Numerous accounting standard-setting bodies, including most European countries, Australia, New Zealand, and many Asian countries, adopt this position. Such widespread diffusion of IFRS has materially mitigated the degree of observable variation in the practice and theoretical foundation of goodwill accounting and reporting. Yet, there is an array of perplexing problems inherent to this framework that cast doubts on its value relevance in comparison to previous amortization regimes (Chambers, 2005; Bugeja and Gallery, 2006) or cast a focus on the impairment behavior of firms associated with earnings management (Watts, 2003; Henning et al, 2004; Carlin et al. 2009; 2014; Carlin and Finch, 2010, 2011). If the idea of goodwill is to bundle expected future profits and “synergies” (Walter and Barney, 1990) then it is important that the strategies behind the combination are discussed and justified adequately in the financial reporting (Giuliani and Brannstrom, 2011).

2.2 Value – Relevance of Goodwill Accounting Information.

Prior studies show that purchased goodwill at acquisition is relevant for the market. For instance, Jennings et al. (1996) regress goodwill and other components of net assets to the market value of equity and find that the coefficients of goodwill are significantly positive in each year studied. Similarly, Henning et al. (2000) in their levels model reveal significant

positive association between market equity value and all the goodwill components. Alternatively, McCarthy and Schneider (1995) report a significant coefficient on goodwill regardless of what measurements the income change variable has. Bugeja and Gallery (2006) examine the value-relevance of goodwill overtime and find that, even though goodwill is associated with equity values, such association diminishes in two years after the business combination. Apparently, recently acquired goodwill is more informative than the “older” ones.

The empirical evidence supporting systematic amortization of goodwill, however, is mixed. Jennings et al. (1996) in their valuation of share prices observe significant negative coefficients on goodwill amortization expenses, which suggests that investors see goodwill amortization as a decline in the value of goodwill, the value of the firm, and, therefore, the firm’s share price. Jennings et al. (2001) perform two separate regressions of the share price on the earnings per share, with and without amortization, and reveal that the former model contains more explanatory power. Moehrl et al. (2001) reveal that including or excluding amortization does not make any significant difference in explanatory power of earnings numbers, suggesting that goodwill amortization is irrelevant to investors. Similarly, the sensitivity test using returns in future years performed by Henning et al. (2000) shows no association between stock returns and amortization expense. Their findings show that investors discount the portion of overpaid goodwill in the acquisition year, but view the other components of goodwill as fairly permanent assets.

Since the adoption of impairment testing regime in 2004, several attempts have been made to study whether this new accounting method is value-relevant compared to amortization. Churyk (2005) examines the appropriateness of the elimination of goodwill and demonstrate that goodwill at acquisition is rarely overvalued, and consequently, impairment loss is more informative information to investors. This implies that systematical amortization is discernibly no longer necessary. By contrast, Chambers (2006) compares the explanatory ability of the variation in stock price in terms of the summary accounting numbers, the regressions of stock prices on the balance sheet and income components, and the regressions of stock prices on either impairment losses or amortization charges and argues that the impairment method is associated with the stock prices in a lesser extent when compared to amortization. Specifically, under the impairment testing systems, there is an increase in value-relevance for large firms that experience financial difficulties and a decrease in value-

relevance for smaller firms that are more profitable (Chambers, 2006). Hulzen et al. (2011) suggest similar result for the sample of European firms during two sub-periods, pre- and post-impairment. They apply two valuation models to investigate it, namely the market valuation equation developed from Ohlson's (1995) model and the earnings-return model, and conclude that goodwill impairment is actually less value-relevant than amortization.

In general, these studies corroborate that both goodwill amortization and goodwill impairment system contain some level of value relevant information. Yet, there is a lack of clear evidence showing that earnings numbers derived under impairment system are more value-relevant than those generated under the amortization regime.

2.3 Disclosure Compliance Issues

The increasing relevance assumed for goodwill in the financial statements of companies has led disclosure to become an extremely important issue. Such issue is investigated by Carlin and Finch in terms of number of cash-generating units (CGUs), discount rate, growth rate and other relevant disclosure issues in Australia (Carlin and Finch, 2010; 2011), Malaysia (Carline and Finch and Laili, 2009), Singapore (Carlin and Finch and Khari, 2010) and Hong Kong (Carlin and Finch and Tran, 2014). The results from these studies are consistent across the investigated jurisdictions, all of which show the failure in providing either information related to goodwill reconciliation or explanation on the choice of discount rate and growth rate. Such high non-compliance rates are possibly a product of opportunistic discretion of the managers' in order to lessen the probability of impairment losses. Alternative explanation may come from the complexity of accounting standards and the firm's inadequate competencies to follow the mandated reporting framework (Carlin and Finch, 2011). On the other hand, Bepari et al. (2011) reveal a gradation in disclosure quality and compliance level during the financial crisis periods 2008-09 in comparison to the pre-crisis period 2006-07 among Australian firms. They conclude that such changes are explained by economic disturbances rather than opportunistic behavior of managers.

It is observable that emerging markets operate under unsettled or even absence of particular accounting regulations (Surry, 2002), and as a consequence, studies regarding to voluntary disclosure in these countries generally report low quality information (Haniffa and Cooke, 2002; Kavcic et al., 2013). Also, the extent of disclosure is found to be dependent on many firm-specific factors, such as firm size or industry. For instance, larger firms are more likely

to disclose greater amount of information in their annual reports (Churyk, 2005) to improve the relevance quality in their accounting information. Besides, firms in banking and insurance industries tend to offer higher qualified disclosure, possibly attributable to their competence in the valuation field (Kavcic et al., 2013).

Numerous studies on disclosure also track the argument to goodwill intensity, as such firms' particular characteristic is believed to have considerable impact on the attitude towards the presentation of goodwill in the consolidated financial statements. Bepari et al. (2011) reveals that goodwill intensity is significantly related to firms' level of disclosure compliance, especially during the global recession in 2008-09. In contrast, Petersen and Plenborg (2010) argue that the modest magnitude of goodwill among Danish firms does not explain the inconsistency between actual practices and standard requirements. Kavcic et al. (2013) employ content analysis to investigate the level of Slovenian firms' disclosure of goodwill information and find that it appears to be contingent upon goodwill intensity in the balance sheet. More specifically, the higher the goodwill relative to total assets, the more detailed analysis on goodwill the firm provides in the notes in their financial statements (Kavcic et al., 2013).

3. Methodology

3.1 Sample Selection

The population is the listed firms of Hochiminh Stock Exchange (HOSE). The data source is the companies' annual reports from the financial year 2008 to 2012. These annual reports are downloadable from the Vietstock database and the companies' websites. The sample includes listed firms that have goodwill in their balance sheet over a five-year period, 2008 – 2012. This is to cover the latest financial crisis which led to a downturn of economic activities and affected the valuation of future economic benefits which are reflected in goodwill. Firms that do not submit their annual reports or whose stock trading period has stopped for some period over the time 2008 – 2012, and the foreign firms that have choice to prepare their financial statements according to either the local or the international standards are eliminated from the sample. This results in a sample of 69 firm-years with goodwill reporting.

Jennings et al. (1996) discuss the possibility of the estimated coefficient on goodwill being severely biased if goodwill proxies for omitted variables. It is difficult to predict the sign for

the coefficient of goodwill amortization if goodwill is a wasting asset and at the same time newly acquired goodwill represents expected performance. To address that confusion, and the difficulty in calculating goodwill amortization, our sample comprises of firms with only continuously declining goodwill. Because new goodwill is only recognized on purchase, the absence of such event mitigates the problem. Likewise, the amortization for any one year is simply the difference between the beginning and the ending balance of goodwill. This elimination rule further reduces the sample to only 57 firm-years.

In summary, a total of 57 Vietnamese firms with goodwill recorded on the balance sheet with declining pattern during the underlying period are included in the sample for the first research question, and a total of 345 annual reports of 69 firms are used for the second research question. While the samples are not large, the developed economies based research also suffer from the small sample size problem (Beatty and Weaver, 2006; Carlin and Finch, 2010).

3.2 Development of Market Valuation Model

3.2.1 Hypothesis:

The first part of this study questions whether the current VAS results in a positive correlation between a firm's stock price and its goodwill in the balance sheet. Thus, we hypothesize:

H1: After controlling for other components of book values and earnings, goodwill asset is positively associated with the market value of equity.

If systematic amortization of goodwill represents the reduction in the value of the group of firms, as theory suggests, the market is expected to respond to by reducing the market value of the parent company. Thus, we hypothesize that:

H2: After controlling for other components of book values and earnings, systematic goodwill amortization expense is negatively associated with market value of equity.

3.2.2 Development of Market Valuation Model:

Landsman (1986) relates market value of shareholders' equities to the book value shareholders' equities using the basic accounting equation in the following manner:

$$MVE_{it} = MVA_{it} - MVL_{it} \quad (1)$$

where MVA and MVL are the market values of total assets and total liabilities of firm *i* at the end of year *t*. This model is adapted by researchers to separately investigate selected assets and liabilities in order to find the value relevance of these items (for example, see Harris and Ohlson, 1987; Shevlin, 1991; Jennings et al. 1996; Henning et al., 2000; Moerhle et al., 2001; Churyk and Chewning, 2003; Churyk, 2005; Hulzen et al., 2011). Feltham and Ohlson (1995) extend the Landsman model by including the concept of earning streams. Thus, market value of firms at a point in time is related to the book value of equity plus the value of earnings. There are three common proxies for earnings: (1) the net income; (2) the net present value of expected abnormal income which is defined as current earnings minus the charge for the use of capital (Olson, 1995); and (3) the clean surplus which equals the change in a firm's net book value during the fiscal year minus the newly issued equity plus cash dividends (McCarthy and Schneider, 1995).

We follow the second proxy based on Ohlson (1995) because it better relates to goodwill as a measure of future profitability and goodwill amortization or impairment as a decline in future profitability. Therefore, the expanded model describing the firm's market value as a function of its book value and its earnings potential is as follow:

$$MVE_{it} = \beta_0 + \beta_1 BV_{it} + \alpha_2 AE_{it} + \varepsilon_{it} \quad (2)$$

where BV_{it} is the book value of common equity of the *it*h firm at time *t*; and AE_{it} is the abnormal earnings of the *it*h firm at time *t*.

The focus of this model is to depict the amount reported for goodwill and goodwill amortization. If the accounting information is useful for decision makers then goodwill will have a strong positive association with the market value of the firm and goodwill amortization will have a strong negative association with the market value of the firm. In order to test the value-relevance of goodwill and goodwill amortization, model (2) is modified to separate book value of goodwill from book value of equity and separate goodwill amortization from abnormal earnings. This is in accord with Feltham and Ohlson (1995) notion that earnings can be aggregated or disaggregated without causing loss of information (Jennings et al., 2001; Churyk and Chewning, 2003). Therefore, the model to test the empirical validity of our hypotheses is as follows:

$$MVE_{it} = \beta_0 + \beta_1 BVLGW_{it} + \beta_2 GW_{it} + \beta_3 AEAA_{it} + \beta_4 AMORT_{it} + \varepsilon_i \quad (3)$$

where $BVLGW_{it}$ is the book value of equity excluding book value of goodwill of the i th firm at year t , GW_{it} is the book value of goodwill of the i th firm at year t , $AEAA_{it}$ is the abnormal earnings excluding goodwill charges of the i th firm at year t ; $AMORT_{it}$ is the goodwill amortization expenses of the i th firm at year t . All the variables in this model are deflated by total assets in to scale for the differences in size of the listed equities.

Table 1 is set out to represent a list of variables estimated in this study.

Table 1. The Calculations/Estimations of Dependent and Independent Variables

Variables	Mnemonic	Calculation / Definition
Market value of equity	MVE	share price of firm i at the fiscal year-end times common share outstanding (PRICE * SHARES)
Book value of equity	BVE	year-end book value of common equity
Book value of equity excluding goodwill	BVLGW	year-end book value of common equity less year-end book value of goodwill (BVE – GW)
Goodwill	GW	year-end book value of goodwill
Abnormal earnings	AE	accounting operating income less expected risk-free rate times the beginning balance of book value of common shareholders' equities (INCOME – rf* BVE_{t-1})
Risk-free rate	rf	10-year Vietnamese Treasury bond rate
Abnormal earnings excluding amortization	AEAA	abnormal earnings adding back goodwill amortization charges (AE + AMORT)
Amortization of goodwill	AMORT	Differences between the current year balance of goodwill and the prior year balance of goodwill (GW_t – GW_{t-1})

Note: All variables are deflated by total assets in order to scale the size differences of listed firms on HOSE.

The specific *a priori* associations between the market value of equity and its explanatory variables in this model are predicated as follows. Firstly, the continued presence of a particular asset on the balance sheet of a firm will notify the investors of its existence (Kealey, 1996). If it is the case, then the book value of purchased goodwill will provide incremental explanatory power for explaining the relation between market value and book value of a firm. Therefore, if purchased goodwill is value relevant to the investors, then the

estimated coefficient on goodwill should be positive and statistically significant (Jennings et al., 1996), and if the value of goodwill rapidly decays after the acquisition, then no association between market value and goodwill should be observed (Jennings et al., 2001). In the case when the goodwill amortization reported by the firms included in this sample is viewed as informative information by investors, its association with the market value of equity should be negative and statistically significant (Hopkins et al., 2000). On the other hand, if goodwill amortization is regarded as an arbitrary noncash charge then goodwill amortization and equity value in the market will not be related (Jennings et al., 2001).

Secondly, abnormal earnings can be used to explain the variation between the market values and book values of firms' equities (Fama and French, 1992; Barber and Lyon, 1997) and represents future net present value project opportunities. Therefore, the estimated coefficient on this measure will take on a value statistically greater than zero if abnormal earnings before amortization persists, or zero if abnormal earnings before amortization diminishes quickly (Churyk and Chewning, 2003).

Lastly, there is evidence that market value and book value of equity move in correspondence to the association between the firm's equity market value and its economic resources (Palepu et al., 2007). Likewise, it is expected that the estimated coefficient on the book value of equity before goodwill amortization is positive and significant. This expectation is based on two assumptions. The first assumption is that the usefulness of accounting information depends on its ability to serve as an "indicator of value" (Black, 1980; 1993; Ohlson and Penman, 1992). The second assumption is that stock prices reflect all publicly available data that are relevant for valuing equity shares (Fama, 1965; 1970). If this condition is met, security prices are a valuable benchmark for evaluating the usefulness of many goodwill-related balance sheet and income statement measures as indicators of value.

4. Data analysis and discussions

This section has two sub-sections. The first sub-section, 4.1, discusses the results on the value relevance of goodwill and goodwill amortization. The second sub-section, 4.2, analyzes the goodwill reporting and disclosure practices and discusses the impact these practices have on the reliability and relevance of the financial statements.

4.1 The Value-Relevance of Goodwill and Goodwill Amortization

4.1.1 Descriptive Statistics

Table 3 contains descriptive statistics for the key variables of the main sample in this section, which includes 57 firm-year observations with non-zero goodwill and non-zero amortization expenses over the five-year period, 2008 – 2012. Overall, the market value of equity variable has a mean of 0.5939 and a standard deviation of 0.5950, with lower and upper bounds of 0.05 and 3.72. Also, the fact that the book value of equity and other accounting numbers are less volatile than the market value should come as no surprise. The Vietnamese market is particularly sensitive to economic fluctuations such as the financial crisis in 2008 or the inflation phrase in 2011. However, this may also be due to overvaluation of stocks by local investors.

The mean of expected abnormal income deflated by total assets is 0.0243 and its standard deviation is 0.0696. As this variable represents earnings less charges for the use of capital calculated by risk-free rate times the beginning balance of book value of equity, its mean and standard deviation typically correspond to relatively stable treasury bond rate from 9-11% over the five-year time span. The variable of recognized goodwill deflated by total assets shows an average of 0.0224 and a standard deviation of 0.0356, while the amortization variable deflated by total assets has a mean of 0.0031 and standard deviation of 0.0041. The material variation of goodwill compared to its own amortization is likely traceable to the regulation that requires Vietnamese firms to follow the straight-line method to amortize goodwill over the estimated useful life not exceeding ten years (*VAS 11 – Business Combinations*).

Table 3. Summary of Descriptive Statistics

Variable		Mean	Std. Dev.	Min	Max	Observations
mvea	overall	.5939306	.595019	.050707	3.723766	N = 135
	between		.5245248	.081992	3.208532	n = 57
	within		.2060551	.1691084	1.393395	T-bar = 2.36842
bvl gwa	overall	.4444007	.2106161	.050001	.995321	N = 135
	between		.2028626	.057957	.981428	n = 57
	within		.0534831	.2350279	.6020059	T-bar = 2.36842
gwta	overall	.0224984	.0356329	.000023	.200888	N = 135
	between		.0350679	.000031	.191904	n = 57
	within		.0091048	-.0127001	.0813514	T-bar = 2.36842
aeaaa2	overall	.0243164	.0696845	-.157051	.27434	N = 135
	between		.0632469	-.0737583	.2626603	n = 57
	within		.0334727	-.078766	.1410526	T-bar = 2.36842
amorta	overall	.0030518	.0046898	3.00e-06	.022865	N = 135
	between		.0046511	3.00e-06	.021802	n = 57
	within		.0018342	-.0066298	.0107261	T-bar = 2.36842

4.1.2 Specification Tests

Table 4 represents the tests for multicollinearity among explanatory variables. Undesirable correlation can yield misleading estimated regression inferences, with high goodness-of-fit accompanied by weak coefficients. The correlation coefficients' absolute values are all less than 0.8 (Table 4), indicating the absence of multicollinearity. The Variance Inflation Factors (VIFs) indicators, which examine the linear relationship between explanatory variables confirm this presumption as all tolerance levels are greater than 0.2 with the VIF are around 1.85 (Besley et al., 1980).

Table 4: Correlation Matrix among Independent Variables and VIFs indicators

	BVLGW	GW	AEAA	AMORT	VIFs
BVLGW	1.0000				1.05
GW	-0.0828	1.0000			2.63
AEAA	0.2157	-0.1255	1.0000		1.07
AMORT	-0.0658	0.7870	-0.1418	1.0000	2.64
Mean VIF					1.85

Other issues of concern are heteroscedasticity and autocorrelation (Verbeek, 2008). For heteroscedasticity, we first run the Breusch-Pagan test. The test statistic takes the value of 69.78 which is on the margin of significance at the 5% level of confidence. The White test is then performed upon the null hypothesis that the panel are homocedasticity. Chi-squared statistic values of 51.93, which is highly significant. Since both the Breusch-Pagan test and the White test indicate the presence of heteroscedasticity, all the estimated regression results in this paper are tested for the White's heteroscedasticity-robust standard errors (White, 1980).

To identify first-order serial correlation, we perform Prais-Winsten test. The Durbin-Watson statistic is 1.9723, which is significant at the 5% level of significance.

4.1.3 Empirical Regression Estimates for Sample

Table 5 presents results of the estimations of model (3) covering the sample across five years. The coefficient estimates for book value of equity less goodwill (BVLGW) is 0.7534 and significantly and positively related to market value of listed equities at 10% level of confidence. The abnormal earnings before amortizing goodwill (AEAA) is significantly positively related to the market value of equity at 5% level of confidence with a coefficient of 4.5033. This result provides robust evidence that Vietnamese market participations take into

account the unexpected income as future net present value of projected opportunities for their investment decision-making.

Table 5. Estimated results: The relation of Book Value of Equity, Goodwill, Abnormal Earnings, and Goodwill Amortization to Equity Market Value

Variables	Random Effects	
	Estimated Coefficient	Std. Err.
intercept	0.127	0.080
BVLGW	0.753*	0.189
GW	2.376**	1.020
AEAA	4.503*	0.928
AMORT	-15.198**	6.494
R^2	0.6455	
	Breusch_Pagan LM test that $\text{Var}(u_i)=0$ Prob>Chi ² =0.0000	

Notes: * significant at the 1% level, ** significant at the 5% level, *** significant at the 10% level. Estimated regression results are performed under the White's heteroskedasticity-robust standard errors. Number of observations: 135

The data also reveals that the estimated coefficient of goodwill (GW) is significantly positive at 2.3758 for all publicly listed equities that reported goodwill in their balance sheets during the period 2008 – 2012. The figure suggests that the Vietnamese market values acquired goodwill as an economic resource that generates cash flows in the future, and therefore, is relevant for the valuation of the firm. This evidence in is as strong as the evidence found in equivalent studies for developed countries in recent years (see Churyk and Chewning, 2003; Hulzen et al., 2011). In this regard, it is defensible to claim that the current policy in which purchasing firm initially record goodwill as an assets is consistent with market valuation.

The estimated coefficient for goodwill amortization is significantly and negatively associated the market value of equity with a coefficient of -15.1975 at 5% level of significance. Thus, the systematic amortization of goodwill appears to be aligned with the equity value. These findings imply that the market views goodwill as an economic resource that declines in value, and the declines in value are reflected in the amortization method used by the listed firms in the sample.

4.2 Goodwill Reporting and Disclosure Practices in Vietnam

The discussion in this section is on the impact that these practices on the reliability and relevance of the financial statements Data collected from 69 publicly listed firms in Hochiminh Stock Exchange reveals three primary themes, including: (1) the impact of goodwill intensity and movements of goodwill; (2) practices under the systematic

amortization regime; and (3) compliance and practices of goodwill disclosure process under current local regime. The implications these findings have on the profession and the regulatory framework are also discussed.

4.2.1. Impact of Intensity and Movements of Goodwill

4.2.1.1. Goodwill intensity

Goodwill intensity refers to the ratio of goodwill to total assets. The purpose of this ratio is twofold: first, goodwill intensity is often used by practitioners for valuing the materiality of goodwill in relation to a company's financial position (Bradbury, 2010); and second, the significance of goodwill intensity can reflect manager's attention to the valuing and amortizing process.

Table 6. Goodwill Intensity (percentage of goodwill over total assets) by all listed firms and by Industries

Industry	Number of Obs.	Mean	Standard Deviation	Min	Max
For all listed firms	233	0.027643	0.048163	0.000023	0.426788
Oil and Gas	5	0.000213	0.000116	0.000104	0.000397
Basic Materials	17	0.023612	0.020525	0.002774	0.064678
Industrials	49	0.049060	0.075670	0.000360	0.426788
Consumer Goods	57	0.013606	0.021349	0.000149	0.084948
Health Care	4	0.017226	0.0168890	0.002060	0.034283
Consumer Services	14	0.002824	0.003355	0.000099	0.009691
Utilities	8	0.053896	0.044886	0.000395	0.139224
Financials	70	0.030501	0.046012	0.000023	0.195631
Technologies	9	0.013657	0.006989	0.000577	0.022895

Note: Industry are categorized based on ICB (Industry Classification Benchmark) employed by Bloomberg L.P.; Source: Publicly annual reports of selected companies and own calculations

Table 6 presents the state of goodwill intensity by all listed firms and by Industries. It has a mean of 2.76%. While this number is considered relatively small, Carlin and Finch (2010a), for Australian publicly quoted companies, had similar amounts of only 2.68% (2006) and 2.75% (2007). In Vietnam it is found to be ranging widely from 0.0023% (Ticker: CTG, Financials industry) to 42.68% (Ticker: ALP, Industrials industry), with a standard deviation of 4.82% in general. Unsurprisingly, this high range is consistent to other overseas works (Carlin and Finch, 2010). Firms of the industries with high goodwill intensity compared to their peers include those belonging to Financials, Industrials and Utilities at the average of 3.1%, 4.9% and 5.34% respectively. On the other hand, firms with low goodwill intensity belong to Oil&Gas and Consumer Services, averaged 0.02% and 0.2% respectively. This result implies that goodwill is relatively a significant asset for Vietnamese listed firms.

4.2.1.2. Goodwill movements

Movements in goodwill value may arise from a number of angles, for instance from the change in provisional goodwill arising from an acquisition that is incomplete at the balance date. According to VAS 11, the acquirer should disclose a reconciliation of the carrying amount of goodwill at the opening and closing of the reporting period that shows material business combinations with any relevant amortization. The reconciliation for goodwill existing during the reporting period should include:

- (i) The gross amount and the accumulated amortized portion at the beginning of the period;
- (ii) The amount which resulted in the period;
- (iii) Any adjustment made as a result of change or noticed changes in the amount of identifiable assets and liabilities;
- (iv) The amount given up subsequent to disposals and sales of the whole or part of business in the period;
- (v) The amount which was amortized in the period;
- (vi) Other relevant changes in the period; and
- (vi) The total amount which remains unamortized as accumulated at the end of the period

Source: Article 73, VAS11 – Business Combinations

Statistics on this matter reported in table 7 and table 8 show that the Vietnamese firms have few adjustments and movements in goodwill other than amortization. No company makes any justification regarding the changes in net assets of previous acquisitions. Only one (Ticker: PVD) out of 69 firms records the adjustment of goodwill in association with exchange rate differences. In a like manner, only one firm reports the adjustment resulting from incomplete acquisition at the balance date (Ticker: BT6). Besides, there are 42 firms disclosing the amount of additional goodwill recognized within the reporting period, 67% of which surprisingly fail to perform supplementary justification for the rationale on how they come about these movements (Table 7). Among 16 firms that engage in disposal during their reporting period, only 4 of them provide rationale for the decreased amount of goodwill in their disposal. Of concern, obviously, is that 12 firms wrote off goodwill from the balance sheets during their allowable period of amortization without noting it in their annual reports (Table 8). This practice may be associated with the requirement of reconciliation that requires firms to disclose details as long as goodwill exists within the reporting period (VAS 11 -

Business Combinations). Once goodwill is written-off no obligatory disclosure is needed to report it. This practice and its determinants are discussed in theme 2.

Table 7. Companies that Report Acquired Goodwill upon New Acquisitions

Company	Industry	Justifications of movement disclosed		
		Details of new acquisitions	Calculations of goodwill acquired	Goodwill Reconciliation
PVD	Oil & Gas	✓		✓
HPG	Basic Materials	✓	✓	✓
ALP	Industrials	✓		✓
KDC	Consumer Goods	✓	✓	✓
KMR	Consumer Goods	✓		✓
NHS	Consumer Goods	✓	✓	
CTG	Financials	✓	✓	✓
DXG	Financials	✓	✓	✓
KBC	Financials	✓	✓	
KDH	Financials	✓		✓
NLG	Financials	✓	✓	✓
OCG	Financials	✓	✓	✓
PTL	Financials	✓		✓
VIC	Financials	✓	✓	✓
Total		14	9	12

Source: Publicly annual reports of selected companies and own calculations. Industry are categorized based on ICB (Industry Classification Benchmark) employed by Bloomberg L.P.

Table 8. Companies that Report Goodwill Adjustments subsequent to Disposals

Company	Industry	Year of write-offs	Reasons for write-offs		
			Disposal of subsidiaries	Write-off in association with previous year acquisition	Other write-off above normal systematic amortization
HBC	Industrials	2011		✓	
NHW	Industrials	2010		✓	
DHC	Basic Materials	2012			✓
HPG	Basic Materials	2010, 2011	✓		
SHI	Basic Materials	2012		✓	
ACL	Consumer goods	2011			✓
PNJ	Consumer goods	2009		✓	
FLC	Financials	2012	✓		
HQC	Financials	2011			✓
ITA	Financials	2009		✓	
KDH	Financials	2011	✓		
LGL	Financials	2012		✓	
NTB	Financials	2012			✓
SSI	Financials	2012		✓	
VIC	Financials	2009, 2011	✓		
SGT	Technologies	2011		✓	
Total			4	8	4

Source: Publicly annual reports of selected companies and own calculations. Industry are categorized based on ICB (Industry Classification Benchmark) employed by Bloomberg L.P.

4.2.2 Practices under Systematic Amortization

4.2.2.1. Amortization Periods

Even though systematic amortization seems to be the only vehicle for local firms to allocate their purchased goodwill, this part attempts to yield some insights on the attitude and

interpretation that firms have toward goodwill as well as the proposition of the implementation of the impairment test as supplement to amortization system.

Table 9. Goodwill Amortization Periods reported by Company by Industry basis

Industries	8 - 10 years	5 years	3 years	10 years	up to 10 years	varies upon future CFs, but not exceeds 10 years	N/A	Total
Oil & Gas				1				1
Basic Materials				3	1		1	5
Industrials		1		8	1		4	14
Consumer Goods		2	1	11	2		2	18
Consumer Services		1	2		1			4
Health Care	1							1
Utilities				1	1			2
Financials		3	3	12	2	1		21
Technologies				1	1	1		3
Total	1	7	6	37	9	2	7	69
% of sample	1.45%	10.14%	8.70%	53.62%	13.04%	2.90%	10.14%	100%

Source: Publicly annual reports of selected companies and own calculations. Industry are categorized based on ICB (Industry Classification Benchmark) employed by Bloomberg L.P. No firm represents the immediate write-off of goodwill as operating expenses in the purchasing period. Firms disclosing no information about goodwill amortization include the following tickers: DHC, LBM, TCO, NHW, VSI, SEC, TMT, NBB, a financials-firm, discloses a range for allocating its goodwill upon the characteristics of underlying projects as: (1) amortize at 3% each years for real estate projects, and (2) amortize at 9 years for mining projects. PVT, an oil and gas firm, discloses a revaluation in estimated useful life of goodwill and adjust the amortization periods from 10 years to 5 years since 2011. Other firms use the straight-line amortization method up to 10 years as regulations

Under the current VAS, goodwill is required to be amortized using the straight-line method with the maximum estimated useful life of ten years. Our data reveal various amortization periods used by listed equities on Hochiminh Stock Exchange. Table 9 shows that about 75% of the sampled firms amortize all or at least a portion of their goodwill over the maximum ten years required by VAS. This finding is consistent with previous studies in developed countries when they had the amortization regime (Duvall et al., 1992; Henning, 1994; Wong and Wong, 2005). Nonetheless, it is noticeable that more than 19% of firms report an estimated useful life of not greater than five years, half of which belong to the Financials industry. A question arises is whether such fixed maximum estimated useful life of ten years can completely reflect the diminishing value of goodwill. It seems that the financial firms are more conservative in accounting than the rest. Otherwise, the managers in this industry are less confident with the economic benefits arising from acquiring goodwill in the long run given the high vulnerability of the financial business environment. It is also noted that firms in this industry have high goodwill intensity (Table 6).

4.2.2.2.2. Write-off of Goodwill Value above Systematic Amortization

An additional write-off of goodwill other than the fixed period amortization is required to be disclosed under VAS 11. This write-off is considered to be a flexible charge over any adjustment or disposal of acquired goodwill. As discussed in the literature review, this practice generally casts doubt on the ability of management in valuing goodwill as a bundle of expected future profits to be discounted (Walter and Barney, 1990), especially when such write-off is associated with a recent acquisition. In the absence of any triggering event, a goodwill write-off above normal systematic changes the management's initial estimated period as this has to be shortened due to lower economic benefits than what was earlier predicted (Yu, 2012).

Table 10. Companies that Write-off above Normal Systematic Amortization

Com- pany	Industry	Year of write- off	Amount of write-off			Reason of the write-off
			as % of assets	as % of sale	as % of income	
HBC	Industrials	2011	0.38%	0.24%	4.84%	write-off in association with previous year acquisition
NHW	Industrials	2010	0.04%	0.02%	0.37%	write-off in association with previous year acquisition
DHC	Basic Materials	2012	1.18%	2.26%	N/A	write-off above normal systematic amortization
SHI	Basic Materials	2012	5.08%	3.72%	751.2%	write-off in association with previous year acquisition
ACL	Consumer goods	2011	0.27%	1.15%	1.72%	write-off above normal systematic amortization
PNJ	Consumer goods	2009	0.10%	0.02%	0.74%	write-off associated with previous year acquisition
HQC	Financials	2011	9.07%	440.7%	4678%	write-off above normal systematic amortization
ITA	Financials	2009	0.00%	0.01%	0.04%	write-off in association with previous year acquisition
LGL	Financials	2012	0.50%	5.10%	87.63%	write-off in association with previous year acquisition
NTB	Financials	2012	0.01%	0.10%	0.48%	write-off above normal systematic amortization
SSI	Financials	2012	0.34%	2.64%	4.82%	write-off in association with previous year acquisition
SGT	Technologies	2011	2.29%	96.15%	N/A	write-off in association with previous year acquisition

Source: Publicly available annual reports of selected companies and own calculations; * N/A belongs to the companies that report negative income. Industry are categorized based on ICB (Industry Classification Benchmark) employed by Bloomberg L.P.

There are 12 firms that fail to disclose the details of the manner in which they write-off goodwill. The possible reason for such goodwill impairment can be associated with either the poor performance of acquired firms after the acquisition, the impact of the economy or other external market forces. As shown in table 10, 75% of the write-offs appears during 2011 – 2012, the inflationary period. More notably, 8 out of 12 cases of writing-off are associated with the previous year's acquisitions. It is possible that there are valuation errors that lead to overpayments by the acquirers. However, we did not find any "overpayment" category in the disclosures. Yet, even if overpayment is absent from firms' presentation on goodwill it can be regarded as a latent item that reveals itself years after the acquisition (Giuliani and Brannstrom, 2011).

While write-offs may provide some evidence that Vietnamese firms take a more conservative approach to financial reporting, their deliberate drive to remove goodwill from balance sheet may dramatically distort the objectivity and reliability of goodwill information, especially when such write-offs are a large proportion of the total assets and the earnings. As in the case of ticker HQC, DHC and SGT, it is defensible to argue that the one-time goodwill write-off is responsible for the extremely low operating income (in HQC), or even negative income (in DHC and in SGT). Even though it would be too rash a conclusion, the evidence indicates that a fixed systematic amortization period seems to be inadequate in order to completely reflect the performance of firms. Obviously, further improvements in standards is necessary, for instance, the adoption of periodic impairment test in order to meet the primary accounting qualities of relevance, reliability and conservation in financial reporting.

4.2.2.3. Compliance under Current Regime

In the analysis it is observed that the extent of disclosure is on average significantly different between large and small firms. We analyze compliance by firm size, which is defined by assets and market capitalization. Accordingly, in terms of total assets, there are 24.64% of firms that have assets greater than VND 5000 million, 34.78% of firms that have assets ranging from VND1000 to less than VND 5000 million, and the rest are less than VND 1000 million. In terms of market capitalization, there are 15.94% of firms that have market value greater than VND 5000 million, 15.94% of firms that have market value ranging from VND 1000 to less than VND 5000 million, and the rest are less than VND 1000 million. In this paper, firms that belong to the first two clusters are regarded as large whereas the remaining is regarded as small. The statistics in table 11 shows that higher disclosure is aligned to large firms. In term of market capitalization, approximately 74% of small firms compared to 63% of large firms disclose basic goodwill reconciliation in their annual reports. In contrast, the data reveals that only 57% of small firms compared to 63% of large firms provide details of their reconciliations. The least differences are present under the caption of beginning and ending carrying amount of goodwill. Taking all together, small firms tend to simplify their disclosures and reconciliations of underlying goodwill reported on the balance sheet. Such a result is a basis for concern about the efficacy of the financial reporting framework operating in Vietnam. It is likely that the regulators pay more attention on the overall basis of reconciliation rather than what kind and how much information has been disclosed. Since

large-cap firms tend to provide greater meaningful disclosure, it is justifiable to argue that the level to which firms comply with disclosure obligation is aligned with firm size.

It is notable that no firm reports changes in the amount of identifiable assets and liabilities in years subsequent to business combinations.

Table 11. Compliance of Goodwill Disclosure by Company Size

Disclosure Index	size as total assets				size as market capitalization			
	Above VND 5000 m.	From VND 1000 m. to less than VND 5000 m.	Less than VND 1000 m.	Total	Above VND 5000 m.	From VND 1000 m. to less than VND 5000 m.	Less than VND 1000 m.	Total
No. of companies	17	24	28	69	11	11	47	69
1. Amortization periods	17 (100%)	24 (100%)	21 (75.0%)	62 (89.9%)	11 (100%)	11 (100%)	40 (85.1%)	62 (89.9%)
2. Amortization method	17 (100%)	24 (100%)	21 (75.0%)	62 (89.9%)	11 (100%)	11 (100%)	40 (85.1%)	62 (89.9%)
3. Portion of goodwill charged to expenses in the period	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
4. Reconciliation of the carrying amount of goodwill	10 (58.8%)	22 (91.7%)	17 (60.7%)	49 (68.1%)	8 (72.7%)	6 (54.6%)	35 (74.5%)	49 (68.1%)
a. Gross amount and accumulated amortized portion at the beginning of the period	10 (58.8%)	22 (91.7%)	17 (60.7%)	49 (68.1%)	8 (72.7%)	6 (54.6%)	35 (74.5%)	49 (68.1%)
b. Amount which resulted in the period	10 (58.8%)	16 (66.7%)	16 (57.1%)	42 (63.7%)	8 (72.7%)	6 (54.6%)	28 (59.6%)	42 (63.8%)
c. Any adjustment made as a result of noticed changes in the amount of identifiable assets and liabilities	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
d. Amount given up to subsequent to disposal and sales of business in the period	2 (11.8%)	1 (4.2%)	0 (0%)	3 (4.3%)	2 (18.2%)	0 (0%)	1 (2.1%)	3 (4.3%)
e. Amount which was amortized in the period	10 (58.8%)	16 (66.7%)	15 (53.6%)	41 (59.4%)	8 (72.7%)	6 (54.6%)	27 (57.4%)	41 (59.4%)
f. Other changes in the period	5 (29.4%)	1 (4.2%)	3 (10.7%)	9 (13.0%)	4 (36.4%)	2 (18.2%)	3 (6.9%)	9 (13.0%)
g. Total amount which remains unamortized as accumulated at the end of the period	10 (29.4%)	22 (91.7%)	17 (60.7%)	49 (68.1%)	8 (72.7%)	6 (54.6%)	35 (74.5%)	49 (68.1%)

Note: Disclosure index is based on the requirements in Article 73, VAS 11 – Business Combinations. Firms that present goodwill inclusively in the account of “Long-term Prepaid Expense” include the following: KWM and SEC (Consumer Goods industry) and NLG (Financials industry). Other firms account for goodwill as a separate item in their balance sheets. Source: Publicly available annual reports of selected companies and own calculations.

Examined on an industry basis (Table 12), it is evident that failure to provide disclosure requirements is not an evenly distributed phenomenon, with Technologies and Healthcare firms being over represented in low disclosure categories. Firms that belong to the Industrials

and Consumer Services segment are also likely than average to display fewer meaningful, contextualized disclosures with information on amortization charges, new acquisitions and disposals during the reporting period. This leaves financial statements users of these companies at a loss when attempting to understand the fluctuations of goodwill over years as well as to evaluate the effectiveness of such business combinations. Possibly, the reason can be traceable to the fact that firms in Financials firms generally employ more expertise and knowledge in the field of valuation, thus face less difficulties when applying VAS in calculating and reporting their goodwill. Nonetheless, the lack of compliance across Vietnamese firms raises the question on the efficacy of the financial reporting framework operating in Vietnam.

Table 12. Compliance of Goodwill Disclosure by Industries

Disclosure Index	Oil & Gas	Basic Materials	Industrials	Consumer Goods	Health Care	Consumer Services	Utilities	Financials	Technology	Total
No. of companies	1	5	14	18	1	4	2	21	3	69
1. Amortization periods	1 (100%)	4 (80%)	10 (71.4%)	16 (88.9%)	1 (100%)	4 (100%)	2 (100%)	21 (100%)	3 (100%)	62 (89.9%)
2. Amortization method	1 (100%)	4 (80%)	10 (71.4%)	16 (88.9%)	1 (100%)	4 (100%)	2 (100%)	21 (100%)	3 (100%)	62 (89.9%)
3. Portion of goodwill charged to expenses in the period	0 (0%)	0 (0%)	0 (0%)	2 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
4. Reconciliation of the carrying amount of goodwill	1 (100%)	4 (80%)	9 (64.3%)	13 (72.2%)	0 (0%)	2 (50%)	2 (100%)	17 (80.9%)	1 (33%)	49 (68.1%)
a. Gross amount and accumulated amortized portion at beginning of period	1 (100%)	4 (80%)	9 (64.3%)	13 (72.2%)	0 (0%)	2 (50%)	2 (100%)	17 (80.9%)	1 (33%)	49 (68.1%)
b. Amount resulted in the period	1 (100%)	4 (80%)	7 (50%)	12 (66.7%)	0 (0%)	1 (25%)	2 (100%)	15 (71.4%)	1 (33%)	42 (63.8%)
c. Any adjustment made as a result of noticed changes in the amount of identifiable assets and liabilities	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
d. Amount given up subsequent to disposal of business in the period	1 (100%)	3 (60%)	7 (50%)	10 (55.6%)	0 (0%)	1 (25%)	2 (100%)	12 (57.1%)	0 (0%)	36 (56.5%)
e. Amount which was amortized in the period	1 (100%)	3 (60%)	7 (42.9%)	12 (66.7%)	0 (0%)	1 (25%)	2 (100%)	15 (71.4%)	0 (0%)	41 (59.4%)
f. Other changes in the period	1 (100%)	3 (60%)	7 (50%)	12 (66.7%)	0 (0%)	1 (25%)	2 (100%)	15 (71.4%)	0 (0%)	41 (55.1%)
g. Total amount which remains unamortized as accumulated at the end of the period	1 (100%)	4 (80%)	9 (64.3%)	13 (72.2%)	0 (0%)	2 (50%)	2 (100%)	17 (80.9%)	1 (33%)	49 (68.1%)

Source: Publicly annual reports of selected companies and own calculations. Industry are categorized based on ICB employed by Bloomberg L.P.. Disclosure index is based on the requirements in Article 73, VAS 11 – Business Combinations. Firms that present goodwill inclusively in the account of “Long-term Prepaid Expense” are: KWM and SEC (Consumer Goods industry) and NLG (Financials industry). Other firms account for goodwill as a separate item in their balance sheets.

5. Conclusions

This study investigates and analyzes goodwill and goodwill reporting practices of Vietnamese publicly listed firms that have goodwill on their balance sheets over the period 2008 – 2012. The focus of this study is twofold: firstly, it seeks to assess the controversy regarding the goodwill accounting treatment as informative based on empirical analysis; and secondly, it generates comprehensive insights pertaining to goodwill reporting and disclosure practices in Vietnam.

This study reveals several interesting results. In contrast to the general view that investors in emerging countries are less likely to consider accounting numbers due to their lack of knowledge and expertise in the field, the market association test in this study shows that in Vietnam accounting based goodwill and goodwill amortization information is related to the valuation of firms, which supports the proposition that investors view goodwill as assets.

Since there is concern among local investors towards this special intangible asset, the extent of disclosure has also been comprehensively evaluated to provide robust insights pertaining to goodwill reporting practice. The study reveals that Vietnamese listed firms disclosed low levels of information regarding adjustments and movements of goodwill. Furthermore, some acquiring firms accelerate the amortization charges by implementing short amortization periods, or even write off goodwill in association with previous year acquisitions, with the latter possibly relates to an “overpayment”. While goodwill and goodwill amortization is proved to be relevant and informative to investors, such evidence indicates that a fixed systematic amortization period seems to be inadequate in order to completely reflect the performance of firms. Another finding in this study is that the degree to which firms comply with goodwill disclosure requirements is unevenly distributed, with large-cap firms, as are those belongs to the Financials firms being overrepresented within the group of meaningful and effective disclosure compared to their peers in other industries. Apparently, the critical analysis in the second section reveals a tangled collection of mostly irreconcilable explanations. The question of interest, obviously, relates to whether investors value the share price in accordance with disclosed information in the acquiring firms’ annual reports. While the analysis on disclosures shows that of most groups in Hochiminh Stock Exchange seem to contain less meaningful information it is plausible that investors value firms based on the belief, rather than the information disclosed, that a business combination - as signal by

merger and acquisition events and explicit goodwill presentation on the balance sheet - can bring greater benefits to acquiring firms.

In a sense, these results raise more challenging questions. For instance, whether the inherent flexibility in current local accounting treatment is appropriate, or is it necessary, or whether there is relationship between level of disclosure compliance and the market values given firm-specific characteristics, or if the incompatibility of the current VAS to the set of international standard can stymie the country's convergence procedure. All of these concerns appear to be potential fruitful exercises for future research projects with more years of financial statement data. Obviously, given the growing economic significance of goodwill as an asset class over time, and the limited quantity of research published to date with the goodwill practice as its subject, it is posited that future work in this area in Vietnam will benefit from the inclusion of the results identified in this study.

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APPENDIX A

Table 1. Market Capitalization Values for Sampled Listed Companies

	Sampled Company Market Capitalization	Total Market Capitalization	Company Market Cap as % of Total Market Cap
2008	30,785,353,509,900.00	172,836,764,608,800.00	17.81%
2009	144,239,831,968,300.00	351,357,536,641,800.00	41.05%
2010	256,039,648,641,000.00	425,779,445,025,600.00	60.13%
2011	247,018,159,079,700.00	333,412,669,476,500.00	74.09%
2012	402,905,510,867,200.00	503,978,196,784,500.00	79.95%

Publicly available annual reports of selected companies and own calculations and the Hochiminh Stock Exchange Website <http://www.hsx.vn/>

Table 2. Goodwill and Asset Values for 69 Listed Companies, 2008 - 2012

	Total Goodwill (VND)	Total Assets (VND)	Goodwill as % of Total Assets	Nominal GDP (VND)	Goodwill as % of GDP
2008	492,909,347,694	41,589,657,581,662	1.19%	1,485,037,987,840,000	0.03%
2009	2,192,327,370,687	350,564,159,242,306	0.63%	1,658,389,369,940,000	0.13%
2010	3,802,362,933,785	613,155,212,950,246	0.62%	1,980,914,000,000,000	0.19%
2011	6,710,294,656,187	763,455,687,538,528	0.88%	2,535,008,018,030,000	0.26%
2012	10,600,075,511,753	845,222,389,422,427	1.25%	2,948,842,301,709,240	0.36%

Source: Publicly available annual reports of selected companies and own calculations and the Hochiminh Stock Exchange Website <http://www.hsx.vn/>

APPENDIX B

Table 1. List of Sample Publicly Listed Companies on Hochiminh Stock Exchange

	Ticker	Company	Public Date	Industry	Audit Co.
1	ACL	Cuu Long Fish JSC	2007	Consumer Goods	Baker Tilly A&C
2	AGD	Godaco Seafood JSC	2010	Consumer Goods	DFR Vietnam
3	ALP	Alphanam JSC	2007	Industrials	AASCN
4	ASM	Sao Mai Construction Corporation	2010	Consumer Goods	AA
5	ASP	An Pha Petroleum Group JSC	2008	Utilities	CPA Vietnam
6	BHS	Bien Hoa Sugar JSC	2006	Consumer Goods	DTL Vietnam
7	BT6	Beton 6 Corporation	2002	Industrials	Baker Tilly A&C
8	BTT	Ben Thanh Trading & Service JSC	2010	Consumer Services	AISC
9	C21	Century 21 JSC	2011	Financials	BDO Vietnam
10	CII	Hochiminh City Infrastructure Investment JSC	2006	Industrials	IFC
11	CMV	Camau Trading JSC	2010	Consumer Services	BDO Vietnam
12	CTG	Viet Nam Joint Stock Commercial Bank For Industry And Trade	2009	Financials	Ernst & Young; Deloitte (since 2012)
13	DHC	Dong Hai JSC of Bentre	2009	Basic Materials	AASCS
14	DXG	Dat Xanh Real Estate Service & Constructions Corporation.	2009	Financials	DTL Vietnam
15	ELC	Electronics Communications Technology Investment Development Corporation	2010	Technologies	AASC
16	FDC	Foreign Trade Development and Investment Corporation of Hochiminh city	2010	Financials	AISC; PWC(since 2012)
17	FDG	Dongthap Trading Corporation	2011	Consumer Goods	AASC
18	FLC	FLC Group JSC	2011	Financials	TDK
19	FPT	FPT Corporation	2006	Technologies	Deloitte
20	GAS	PetroVietnam Gas JSC	2012	Utilities	Deloitte
21	GMD	Gemadept Corporation	2002	Industrials	Baker Tilly A&C
22	GSP	International Gas Product Shipping JSC	2012	Industrials	Deloitte
23	HAG	HAGL Joint Stock Company	2008	Financials	Ernst & Young
24	HAP	Hapaco Group JSC	2000	Basic Materials	AASCN
25	HAX	Hang Xanh Motors Service JSC	2006	Consumer Goods	Baker Tilly A&C
26	HBC	Hoa Binh Construction & Real Estate Corporation	2006	Industrials	BDO Vietnam, Ernst & Young (since 2011)
27	HPG	Hoa Phat Group JSC	2007	Basic Materials	Ernst & Young; KPMG (since 2010)
28	HQC	Hoang Quan Consulting – Trading – Service Real Estate Corporation	2010	Financials	BDO Vietnam
29	IJC	Becamex Infrastructure Development JSC	2010	Financials	Baker Tilly A&C
30	ITA	Tan Tao Investment and Industry Corporation	2006	Financials	Ernst & Young
31	KBC	Kinh Bac City Development Holding Corporation	2009	Financials	AISC, Ernst & Young (since 2010)
32	KDC	Kinh Do Corporation	2005	Consumer Goods	Ernst & Young
33	KDH	Khang Dien House Trading and Investment JSC	2010	Financials	Ernst & Young
34	KMR	Mirae JSC	2008	Consumer Goods	AA
35	LBM	Lam Dong Mineral and Building Material JSC	2006	Industrials	Vietland
36	LCG	LICOGI 16 JSC	2008	Industrials	AVA, Ernst & Young (since 2012)

37	LGL	Long Giang Investment and Urban Development JSC	2009	Financials	Baker Tilly A&C
38	MPC	Minh Phu Seafood Group Corporation	2007	Consumer Goods	Ernst & Young; Baker Tilly A&C (since 2009)
39	MSN	Ma San Group Corporation	2009	Consumer Goods	KPMG
40	NBB	NBB Investment Corporation	2009	Financials	ACA Group
41	NHS	Ninh Hoa Sugar JSC	2010	Consumer Goods	KPMG
42	NHW	Ngo Han JSC	2010	Industrials	KPMG
43	NLG	Nam Long Investment Corporation	2010	Financials	Ernst & Young
44	NSC	National Seed JSC	2006	Consumer Goods	Deloitte
45	NTB	Transport Engineering Construction & Business Investment Stock Co.	2010	Financials	AA
46	NVT	Ninh Van Bay Travel Real Estate JSC	2010	Financials	Ernst & Young
47	OGC	Ocean Group JSC	2010	Financials	Deloitte
48	PAN	PAN Pacific Corporation	2010	Industrials	Baker Tilly A&C
49	PNJ	Phu Nhuan Jewelry JSC	2009	Consumer Goods	KPMG
50	PTB	Phu Tai JSC	2011	Consumer Goods	AASC
51	PTL	Petro Capital & Infrastructure Investment JSC	2010	Financials	Deloitte
52	PVD	Petrovietnam Drilling & Well Service Corp.	2006	Oil and Gas	Deloitte
53	PVT	PetroVietNam Transportation Corporation	2007	Consumer Services	Deloitte
54	SEC	Gia Lai Cane Sugar Thermoelectricity JSC	2010	Consumer Goods	AAC
55	SGT	Saigon Telecommunication & Technologies Corporation	2008	Technologies	AIS
56	SHI	Son Ha International Corporation	2009	Basic Materials	Baker Tilly A&C
57	SMC	SMC Investment Trading JSC	2006	Basic Materials	DFK Vietnam
58	SSC	Southern Seed Corporation	2005	Consumer Goods	DFK Vietnam; Ernst & Young (since 2012)
59	SSI	Sai Gon Securities Incorporation	2007	Financials	Ernst & Young
60	TCO	Duyen Hai Multi Modal Transport JSC	2012	Industrials	CPA Hanoi (2009, 12); TDK (2010-11)
61	TDC	Binh Duong Trade and Development JSC	2010	Industrials	Baker Tilly A&C
62	TDH	Thu Duc Housing Development Corporation	2006	Financials	AASC;KPMG(since2012)
63	TMS	Transimex-Saigon Corporation	2000	Industrials	Baker Tilly A&C
64	TMT	TMT Motor JSC	2010	Consumer Goods	AASC; AISC(since 2012)
65	TRA	Traphaco Joint Stock Company	2008	Health Care	AASC; Deloitte (since 2012)
66	VIC	VINGROUP Joint Stock Company	2007	Financials	Ernst & Young
67	VIP	Viet Nam Petroleum Transport JSC	2006	Consumer Services	Baker Tilly A&C
68	VNM	Viet Nam Dairy Products JSC	2006	Consumer Goods	PWC
69	VSI	Water Supply Sewerage Construction and Investment JSC	2010	Industrials	AASCS

Note: Industry are categorized based on ICB (Industry Classification Benchmark) employed by Bloomberg L.P.

Source: Publicly available annual reports of selected companies and the Hochiminh Stock Exchange Website <http://www.hsx.vn/>